

**From:** Simon Mandal-Johnson  
**Sent:** Thursday, 18 April 2024 2:23 pm  
**To:** Nicky Lynch [EXTERNAL] (Treasury); Catherine Bright  
**Cc:** Jacqui Ruesga; Angela Ryan [TSY]  
**Subject:** RE: Paris target - and Treasury's stance on Govt accounts

@Catherine Bright – Hemi has approved this text. Nicky's version below is the final. Can we please dispatch back to the office?

**Simon Mandal-Johnson (he/him)**

*Manager Climate Strategy | Kaiwhakahaere Rautaki Āhuarangi*

Ministry for the Environment | Manatū Mō Te Taiao

027 288 0142 | [simon.mandal-johnson@mfe.govt.nz](mailto:simon.mandal-johnson@mfe.govt.nz) | [environment.govt.nz](http://environment.govt.nz)

*Ministry staff work flexibly by default. For me, this means that I do not normally work on Wednesdays and work outside standard hours on other days.*

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**From:** Nicky Lynch [TSY] <Nicky.Lynch@treasury.govt.nz>  
**Sent:** Thursday, April 18, 2024 1:32 PM  
**To:** Simon Mandal-Johnson <Simon.Mandal-Johnson@mfe.govt.nz>  
**Cc:** Jacqui Ruesga <Jacqui.Ruesga@mfe.govt.nz>; Catherine Bright <Catherine.Bright@mfe.govt.nz>; Angela Ryan [TSY] <Angela.Ryan@treasury.govt.nz>  
**Subject:** RE: Paris target - and Treasury's stance on Govt accounts

[IN-CONFIDENCE]

Hi Simon,

A few suggested tweaks from us below. Sing out if anything doesn't make sense.

**Would he like to see the NDC reflected in Crown accounts, and does he agree it would make it easier for the Government to meet climate goals by investing here rather than buying so many offsets overseas?**

Crown accounts are prepared independently of Ministers in accordance with the internationally recognised Generally Accepted Accounting Practice (GAAP) rules.

The Minister of Finance and I have asked Treasury officials whether the NDC should be recognised as a liability in the Crown accounts. The Treasury has advised that the potential costs of offshore mitigation that could be used to meet the NDC do not meet the threshold to be recognised as a liability at this point in time, although this is a position that it will keep under review. The Government does acknowledge the potential cost from the NDC as a future fiscal risk in financial reporting, including in the 'fiscal risks' section of the Economic and Fiscal updates. Current GAAP treatment is also explained in the explanatory notes to the Government's Financial Statements.

New Zealand has signed up to the Paris Agreement and we intend to make best efforts towards meeting our commitments. I have directed my officials to prioritize investigating domestic options wherever this makes sense. Whether the NDC is reflected as a liability on the Government's balance sheet does not change that.

**In going through Treasury's reasons for saying it couldn't put the NDC costs are not a current liability in the Crown accounts, one reason in particular struck me. I've pasted the whole thing below, but the line is "the Crown could choose to shift the costs of meeting NDC1 onto the private sector."**

**Is the Government considering doing this, ie requiring private companies to pay for meeting the whole NDC (through the ETS, or some other way) rather than the public purse buying the offsets or paying for some other action to meet it?**

The advice referred to was provided by Treasury officials who are applying the accounting rules, and does not reflect any decisions by the Government. I understand the intent was to illustrate that there remain a range of options available to the Government, and this is a reason why there is not yet the certainty required to recognise a liability. The Government is open to exploring all ways to meet its goals and I have directed officials to provide me with options. I would note that, internationally, some countries are leveraging private sector funding (Switzerland, Japan, Singapore), others use Government funding (Sweden).

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**From:** Simon Mandal-Johnson <Simon.Mandal-Johnson@mfe.govt.nz>

**Sent:** Thursday, April 18, 2024 12:14 PM

**To:** Nicky Lynch [TSY] <Nicky.Lynch@treasury.govt.nz>

**Cc:** Jacqui Ruesga <Jacqui.Ruesga@mfe.govt.nz>; Catherine Bright <Catherine.Bright@mfe.govt.nz>

**Subject:** FW: Paris target - and Treasury's stance on Govt accounts

**Importance:** High

Kia ora Nicky,

As promised, draft media lines. Welcome your thoughts and any fact checking please – ideally before 2pm when it is going for GM sign out.

**Would he like to see the NDC reflected in Crown accounts, and does he agree it would make it easier for the Government to meet climate goals by investing here rather than buying so many offsets overseas?**

Crown accounts are prepared independently of Ministers and are done in accordance with the internationally recognised Generally Accepted Accounting Practice (GAAP) rules.

The Minister of Finance and I have asked Treasury officials whether the NDC should be included in the Crown accounts. Treasury have advised that the potential costs of the NDC does not meet the threshold to be included at this point in time, although this is a position that keep under review. The Government does recognise the potential cost from the NDC in other places, including in the 'fiscal risks' section of the Economic and Fiscal updates and in the explanatory notes to the Government's Financial Statements.

New Zealand has signed up to the Paris Agreement and we intend to make best efforts towards meeting our commitments. I have directed my officials to prioritize meeting the target through domestic options wherever this makes sense. Whether the NDC is reflected in our accounts does not change that.

**In going through Treasury's reasons for saying it couldn't put the NDC costs in the Crown accounts, one reason in particular struck me. I've pasted the whole thing below, but the line is "the Crown could choose to shift the costs of meeting NDC1 onto the private sector."**

**Is the Government considering doing this, ie requiring private companies to pay for meeting the whole NDC (through the ETS, or some other way) rather than the public purse buying the offsets or paying for some other action to meet it?**

The advice referred to was provided by Treasury officials on their initiative. It was not sought by the Government. The Government is open to exploring all ways to meet its goals and I have directed officials to provide me with options. I would note that, internationally, some countries are leveraging private sector funding (Switzerland, Japan, Singapore), others use Government funding (Sweden).

**Simon Mandal-Johnson (he/him)**

*Manager Climate Strategy | Kaiwhakahaere Rautaki Āhuarangi*

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